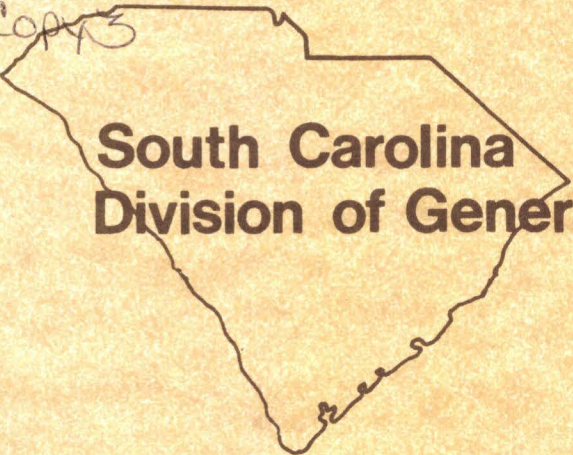


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PROCUREMENT AUDIT AND CERTIFICATION

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JULY 1, 1991 - JUNE 30, 1994

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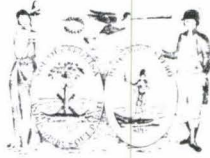
LANDER UNIVERSITY
PROCUREMENT AUDIT REPORT

JULY 1, 1991 - JUNE 30, 1994

TABLE OF CONTENTS

	PAGE
Transmittal Letter.....	1
Scope.....	3
Results of Examination.....	4
Certification Recommendations.....	7
University Response.....	8
Follow-up Letter.....	9

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WILLIAM E. GUNN
ASSISTANT DIRECTOR

January 30, 1995

Mr. William E. Gunn
Materials Management Officer
Office of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Eddie:

We have examined the procurement policies and procedures of Lander University for the period July 1, 1991 through June 30, 1994. As part of our examination, we studied and evaluated the system of internal control over procurement transactions to the extent we considered necessary.

The evaluation was to establish a basis for reliance upon the system of internal control to assure adherence to the Consolidated Procurement Code and University procurement policy. Additionally, the evaluation was used in determining the nature, timing and extent of other auditing procedures necessary for developing an opinion on the adequacy, efficiency and effectiveness of the procurement system.

The administration of the University is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of


control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurances of the integrity of the procurement process, that affected assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and are recorded properly.

Because of inherent limitations in any system of internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal control over procurement transactions, as well as our overall examination of procurement policies and procedures, were conducted with professional care. However, because of the nature of audit testing, they would not necessarily disclose all weaknesses in the system.

The examination did, however, disclose conditions enumerated in this report that we believe need correction or improvement.

Corrective action based on the recommendations described in these findings will in all material respects place Lander University in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.


Larry G. Sorrell, Manager
Audit and Certification

SCOPE

We conducted our examination in accordance with Generally Accepted Auditing Standards as they apply to compliance audits. Our examination encompassed a detailed analysis of the internal procurement operating procedures of Lander University and its related policies and procedures manual to the extent we deemed necessary to formulate an opinion on the adequacy of the system to properly handle procurement transactions.

We selected a judgmental sample for the period July 1, 1991 through June 30, 1994 of procurement transactions for compliance testing and performed other audit procedures that we considered necessary to formulate this opinion. Specifically, the scope of our audit included, but was not limited to, a review of the following:

- (1) All sole source, emergency and trade-in sales procurements for the period July 1, 1991- June 30, 1994
- (2) Procurement transactions for the period July 1, 1991 to June 30, 1994 as follows:
 - a) One hundred and eleven judgmental selected procurement transactions
 - b) An additional block sample of twenty sealed bids
 - c) A block sample of five hundred numerical purchase orders from the audit period, reviewed for order splitting and favored vendors
- (3) Surplus Property disposition procedures
- (4) Minority Business Enterprise Plan and reports for the audit period
- (5) Information Technology Plans and approvals for Fiscal Years 92/93 and 93/94
- (6) Internal procurement procedures manual review
- (7) Real Property Management Office approvals of leases
- (8) Blanket Purchase Order Files
- (9) Four permanent improvement projects and their A & E selections were reviewed for compliance with the Manual for Planning and Execution of State Permanent Improvements
- (10) File documentation and evidence of competition

RESULTS OF EXAMINATION

The Office of Audit and Certification performed an examination of the internal procurement operating policies and procedures and related manual of Lander University for the period July 1, 1991 through June 30, 1994.

Our on-site reviewed was conducted October 18 through November 2, 1994, and was made under the authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code. The audit was performed primarily because the three year certification granted the University by the Budget and Control Board is to expire March 10, 1995.

Additionally, the University requested increased certification limits as follows:

Goods and Services	\$50,000
Consultants Services	50,000
Information Technology	50,000
Printing Services	50,000
Construction Services	50,000

Since our previous audit in 1991, Lander University has maintained what we consider to a professional, efficient procurement system. We did note, however, the following points which should be addressed by management.

SCBO ADVERTISEMENT

The University failed to advertise one service contract where the total potential of the contract exceeded \$10,000. Purchase order 29523 dated 1-13-94 was issued in the amount of \$3170.00 as a result of the University competing a multi-term service contract on chillers. The special conditions of the quotation indicated the extensions may be less than, but not to exceed four (4) additional years. The total potential commitment of the contract was in excess of \$10,000. Section 11-35-1550 2(d) of the Code states in part "any purchase from \$10,001 to \$25,000 shall be advertised at least once in the South Carolina Business Opportunities (SCBO) publication."

We recommend the total potential of a purchase contract be considered when determining if advertising in SCBO is applicable.

RESTRICTIVE BID SPECIFICATIONS

We observed that the University included manufacturer's brochure specifications in their bid packages on several occasions. The bids did not allow for an alternate or an "or equal" to be

submitted. This practice makes for a restrictive bid and is not consistent with Section 11-35-2730 of the Code. This section states, "all specifications shall be drafted so as to assure cost effective procurement of the State's actual needs and shall not be unduly restrictive."

We recommend the University not use the manufacturer's brochure specifications verbatim and allow for acceptable alternate brands and model numbers to encourage as much competition as possible.

INAPPROPRIATE SOLE SOURCE

The University failed to obtain competition on a 5 ton residential type air conditioning unit. Purchase order 26044 dated 9-12-92 in the amount of \$1,044.75 for a 5 ton unit was issued to a manufacturer's distributor as a sole source. The vendor has territorial rights in the state for commercial units for 20 tons and larger. However, competition was available on a 5 ton residential type unit. At the time of purchase, a minimum of two (2) verbal quotations were required by Regulation 19-445-2100(2).

We recommend the purchasing office test the market place when common items are designated by requesting departments as sole source.

DRUG-FREE WORKPLACE CERTIFICATION

We noted one sole source procurement that exceeded \$50,000 where the University did not obtain the required drug-free workplace certification stating the vendor was in compliance with the South Carolina Drug -Free Workplace Act. It was as follows:

<u>P.O. NUMBER</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>
27838	Duplicators	\$78,009.81

Section 44-107-10 et seq. of the South Carolina Code of Laws requires on any resultant contract of \$50,000 or more that a certification be obtained from the recipient stating that the vendor maintains a drug-free workplace. Sole source and emergencies are subject to above stated law.

We recommend the University obtains the drug-free workplace certification on all future contracts exceeding \$50,000.

DISCOUNT LOST

Purchase order number 26779 dated 1-1-93 was issued in the amount of \$4351.00 to furnish and install blinds. The vendor offered a 2% discount for payment if made within 15 days. The University received the invoice on 3-24-93 and made payment on 3-31-93 on voucher number 94257, well within the discount period. The discount was noted on the purchase order but not on the invoice. The timely payment resulted in an \$87.02 saving which was not taken.

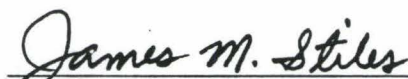
We recommend the accounting department use more care in reviewing purchase orders for timely payment discounts.

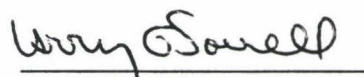
CERTIFICATION RECOMMENDATIONS

As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, we believe, will in all material respects places Lander University in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations. Corrective action should be accomplished by January 31, 1995.

Under the authority described in section 11-35-1210 of the Procurement Code, subject to this corrective action, we recommend recertification for (3) years at the levels below.

<u>PROCUREMENT AREA</u>	<u>RECOMMENDED CERTIFICATION LEVELS</u>
Goods and Services	*\$50,000 per commitment
Consultants	* 50,000 per commitment
Construction	* 30,000 per commitment
Information Technology in accordance with the approved Information Technology Plan	* 50,000 per commitment
Printing Services	* 50,000 per commitment
* Total potential purchase commitment whether single year or multi-term contracts are used.	


James M. Stiles, CPPB
Audit Manager


Larry G. Sorrell, Manager
Audit and Certification

Lander

UNIVERSITY

Greenwood, South Carolina 29649

Vice President for Business & Administration
Telephone (803) 229-8305 • Fax (803) 229-8890

January 30, 1995

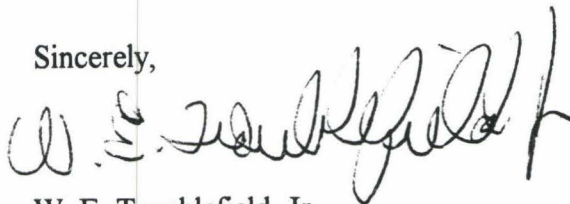
Larry G. Sorrell, Manager
Audit and Certification
Materials Management Office
1201 Main Street, Suite 600
Columbia, SC 29201

Dear Mr. Sorrell:

I have reviewed the draft procurement audit report of Lander University for the period July 1, 1991 - June 30, 1994. I am in agreement with the certification recommendations included in the report. Further, I concur with the accuracy of the five exceptions noted during the audit and I have emphasized to the appropriate areas involved that more care must be taken to assure that such exceptions do not occur in the future.

I appreciate the professional manner in which you and your staff conducted the audit.

Sincerely,

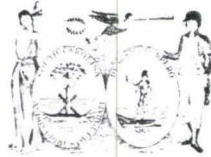


W. E. Troublefield, Jr.
Vice President for Business and Administration

WETjr:rk

cc: Emily Collier

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WILLIAM E. GUNN
ASSISTANT DIRECTOR

January 30, 1995

Mr. R. Voight Shealy
Acting Materials Management Officer
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Voight:

We have reviewed Lander University's response to our audit report for July 1, 1991 - June 30, 1994. Also, we have followed the University's corrective action during and subsequent to our field work. We are satisfied that the University has corrected the problem areas and the internal controls over the procurement system are adequate.

Therefore, we recommend that the Budget and Control Board grant Lander University the certification limits noted in our report for a period of three (3) years.

Sincerely,

Larry G. Sorrell

Larry G. Sorrell, Manager
Audit and Certification

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